



**Government
of South Australia**

State Procurement
Board

www.spb.sa.gov.au

Sustainable Procurement Guideline

Version	1.0
Date Issued	August 2010
Review Date	August 2012
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Overview

This guideline provides information and practical advice to public authorities regarding the procurement of sustainable goods and services and supports the Government's commitment to implementing the *Australasian Procurement and Construction Council Australian and New Zealand Government Framework for Sustainable Procurement* (APCC framework).

By reading this guideline, procurement practitioners will gain an understanding of:

- what sustainable procurement is;
- the key principles of sustainable procurement;
- the benefits of undertaking sustainable procurement;
- how to undertake a sustainability impact analysis and prioritise significant sustainable procurement opportunities; and
- how to incorporate sustainability features into significant procurements.

Object of the State Procurement Act

The object of the State Procurement Act (Act) is to advance government priorities and objectives by a system of procurement for public authorities directed towards:

- a) obtaining value for money in the expenditure of public money;
- b) providing for ethical and fair treatment of participants; and
- c) ensuring probity, accountability and transparency in procurement operations.

The application of sustainable procurement principles must have regard to, and be consistent with, these objectives.

Definition of Sustainable Procurement

The APCC framework defines sustainable procurement as ". . . a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment."

In the context of this guideline, sustainable procurement refers to the environmental and social features that are incorporated into the procurement process, including the development of appropriate specifications and the evaluation of suppliers against these requirements.

Benefits of Sustainable Procurement

The APCC framework highlights the key benefits obtained from applying sustainable procurement practices, namely:

- the reduction of adverse environmental impacts arising from Government procurement action;
- making more efficient use of public resources thus achieving better value for money outcomes;
- stimulating the local and global markets to innovate and produce more sustainable products and services; and
- providing leadership in achieving sustainable development objectives.

Key Sustainable Procurement Principles

This guideline adopts four key principles as outlined in the APCC framework, namely to:

- adopt strategies to avoid unnecessary consumption and manage demand;
- in the context of whole of life value for money¹, select products and services which have lower environmental impacts across their life cycle compared with competing products and services;
- foster a viable Australian and New Zealand market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation in sustainability; and
- support suppliers to government who are socially responsible and adopt ethical practices.

Key Organisational Initiatives

Whilst this guideline focuses on incorporating sustainability features into significant procurements, public authorities can also support the achievement of sustainable procurement objectives within their organisation by:

- reflecting sustainable procurement in public authority goals, policies and management performance indicators;
- promoting awareness of sustainable procurement throughout the public authority;
- supporting the provision of, and access to, training programs that improve the level of staff awareness about sustainable procurement;
- identifying and removing any barriers or obstacles to the adoption of sustainable procurement;
- considering the implementation of environmental management systems that drive sustainable procurement and reduce consumption; and
- reporting on the achievement of sustainable procurement objectives in their annual reports.

Incorporating Sustainability into Procurements

The key to achieving sustainable procurement objectives lies in incorporating appropriate environmental and social sustainability features into procurements undertaken by public authorities. Whilst many procurements can benefit from being considered for further sustainability consideration, public authorities should identify and prioritise those particular procurements that warrant more detailed sustainability consideration.

For the purpose of this guideline, these are referred to as 'significant' procurements. Focusing on significant procurements ensures that the level of effort expended is commensurate with the sustainability benefits obtained.

Integrating sustainability into significant procurements can be undertaken in three key stages, namely by:

1. identifying and prioritising significant procurements;
2. applying demand management strategies; and
3. incorporating sustainable features into the procurement process.

Each stage is explained in more detail below.

¹ See the Board's Procurement Policy Framework for a definition of value for money.

1 Identify and Prioritise Significant Procurements

This first stage identifies those procurements that lend themselves to incorporating sustainable features (both environmental and social) by assessing each procurement (using the public authority's forward procurement plan as a starting point) against key sustainability criteria, leading to a ranking of 'significant' procurements.

Each sustainability criteria can be assigned a score as indicated in the example Sustainability Impact Analysis Scoring Chart provided in Attachment 1. Specific guidance explaining each criteria is provided as Attachment 2. This chart is an **example only** and is provided as a starting point for public authorities to customise and add further criteria as appropriate, according to the needs of the public authority.

Information and evidence for scoring each criteria can be obtained from various sources including discussions and benchmarking with like organisations, through information provided by industry bodies and suppliers, by undertaking market research, or from subject matter experts and appropriate sustainability bodies.

By ranking each procurement according to its total score, a priority (i.e. significant) list of sustainable procurements can be identified.

In the following example, each procurement is ranked according to the total score, calculated against the maximum score possible (i.e. 8 criteria x 3 points = 24 maximum). The cut-off level for choosing what are deemed significant procurements will vary and should be determined by the public authority.

In this example, a decision has been made to incorporate sustainable features into the top three procurements in the forthcoming year.

Procurement Category	Sustainability Impact Score	Ranking
Paper	22/24	1
Office Furniture	20/24	2
Magnetic Resonance Imaging Machine	18/24	3
Audio Visual Equipment	10/24	Not significant
Training Services	8/24	Not significant

It is likely that in the first instance, significant procurements will be fewer in number and will demonstrate a high level of rating for all or most criteria. With time, this list may expand as the public authority gains more sustainability experience and capability, and supplier markets develop more capacity to provide the sustainable features as determined through procurement specifications.

2 Apply Demand Management Strategies

Before embarking on the normal procurement process, public authorities should consider relevant demand management strategies that avoid or reduce consumption and factor these outcomes into the procurement process. This could negate or significantly impact on the need to undertake the procurement.

Demand management strategies may include:

- assessing the need for a given purchase;
- reusing, refurbishing or reconditioning the product to extend its life;
- acquiring second-hand or used items;
- aggregating demand amongst multiple users to achieve better usage of assets;
- establishing management systems to monitor and report consumption levels; and
- implementing energy and resource efficiencies that balance out peak environmental demand situations.

3 Incorporate Sustainability Features into the Procurement

Once a list of significant procurements has been determined, this final stage allows sustainability features to be incorporated into each relevant phase of the normal procurement process. Attachment 3 provides a non-exhaustive list of possible sustainability considerations to be integrated throughout the normal procurement process including acquisition planning, development of specifications, evaluation and selection of suppliers, contract management and the disposal of assets.

However, regardless of the sustainability features chosen, the procurement process undertaken is no different to other procurements.

The APCC has developed several resources to assist procurement practitioners incorporate sustainability into their procurements. In particular, the *APCC Assessing a Supplier's Sustainability Credentials* guideline provides a set of questions and criteria from which procurement practitioners can choose when establishing questions and specifications for suppliers to respond to. These questions and criteria are not mandatory and their use will need to be customised to suit the particular procurement being undertaken.

In addition, the APCC is developing a number of specific sustainable procurement guides for products including furniture, paper, desktop computers, printing services and business machines. These provide a more comprehensive and detailed guide to assist procurement practitioners undertaking procurements in specific product areas. See the Useful References section below for more information on these documents.

Further Information and Resources

For feedback or assistance regarding this guideline, please contact:

State Procurement Board Secretariat
ph: (08) 8226 5001 fax: (08) 8226 5667
email: stateprocurementboard@sa.gov.au
www.spb.sa.gov.au

Related Policies and Guidelines

SPB Acquisition Planning Guideline
SPB Life Cycle Costing Guideline
SPB Contract Management Guideline
SPB Disposal Policy and Guideline



Useful References

APCC Australasian and New Zealand Government Framework for Sustainable Procurement (<http://www.apcc.gov.au>)

APCC Assessing a Supplier's Sustainability Credentials Guideline (<http://www.apcc.gov.au>)

APCC Sustainable Procurement Product Guide (<http://www.apcc.gov.au>)

Good Environmental Choice Australia – Green Procurement Database
(<http://www.greenprocurement.org>)

Zero Waste SA (<http://www.zerowaste.sa.gov.au>)

UK Office of Government Commerce *Buy Green and Make a Difference* (<http://www.ogc.gov.uk>)

Energy Rating Australia (<http://www.energyrating.gov.au>)

Energy Star Australia (<http://www.energystar.gov.au>)

Water Efficiency Labelling and Standards (WELS) Scheme (<http://www.waterrating.gov.au>)

ISO 14001 – Environmental Management System International Standard (<http://www.iso.org>)

National Strategy for Ecologically Sustainable Development (<http://www.environment.gov.au>)

National Packaging Covenant (<http://www.packagingcovenant.org.au>)

Natural Resource Management Ministerial Council and the Primary Industries Ministerial Council
(<http://www.mincos.gov.au>)

South Australia's Strategic Plan (<http://www.stateplan.sa.gov.au>)

Attachment 1**Example² Sustainability Impact Analysis Scoring Chart**

Example Criteria/Question	Example Rating
Does the procurement have a significant sustainable (environmental and social) impact/ risk?	3 High – significant environmental or social impact/ risk 2 Medium – some environmental or social impact/ risk 1 Low – little or no environmental or social impact/ risk
What degree of influence does the public authority have in the particular supply market?	3 High – high level of influence 2 Medium – moderate level of influence 1 Low – little or no level of influence
Does the supply market have a proven sustainable procurement capability (environmental and social)?	3 High – high level of influence possible 2 Medium – moderate level of influence possible 1 Low – little or no level of influence possible
Does the procurement align with or support the public authority's sustainable business goals (environmental and social)?	3 High – strong alignment with public authority's goals 2 Medium – some alignment with public authority's goals 1 Low – little or no alignment with public authority's goals
How much effort and cost will be required to implement and contract manage the sustainability requirements (environmental and social)? This needs to be balanced against the potential benefit that may be derived.	3 High – little effort and resources will be required 2 Medium – moderate effort and resources will be required 1 Low – significant effort and resources will be required
How much effort will be required to encourage staff in the public authority to embrace the new arrangements? This needs to be balanced against the potential benefit that may be derived.	3 High – little effort will be required 2 Medium – moderate effort will be required 1 Low – significant effort will be required
Are there any linkages with other sustainability initiatives (environmental and social) underway within the public authority or other parts of the Government	3 High – strong linkages with other sustainability initiatives 2 Medium – some linkages with other sustainability initiatives 1 Low - no linkages with other sustainability initiatives

² This table is an example only and should be customised to reflect the specific needs of the public authority.



Example Criteria/Question	Example Rating
What is the availability of subject matter experts within the public authority required to undertake the sustainable procurement (environmental and social)?	3 High – subject matter experts are easily available 2 Medium – subject matter experts may be available 1 Low – subject matter experts are not available

Attachment 2

Explanation of Example Criteria for Undertaking a Sustainability Impact Analysis

Environmental or social impact/risk – The degree of environmental or social impacts and risks relevant to the procurement, including factors such as:

- climate change and carbon emissions;
- labour practices;
- water use and quality;
- corporate social responsibility;
- toxic substances and chemicals;
- resource use;
- energy usage;
- compliance with legislation;
- waste and disposal; and
- ethical practices.

Degree of influence – The opportunity that exists (and effort required versus benefit to be gained) for the procurement or public authority to influence the supply market. Indicators of being in a strong position of influence include that:

- the procurement requirement is significant from a market share perspective;
- a large number of capable suppliers exist in the market with an appetite to do business with the public authority;
- there are suppliers in the market who are actively promoting sustainability; and
- there are suppliers in the market that have invested in sustainability and are looking for suitable clients.

Consideration should be given to the cost and time that will be required to influence the market.

Supply market capability – The APCC's "Assessing a Supplier Sustainability Credentials" guideline outlines factors and questions that public authorities can use to select potential supplier sustainability related questions to indicate good supplier sustainability practices.

In particular, supply market capability may exist where:

- suppliers have introduced sustainable products/services and practices demonstrating a commitment to the environment and society and believe it may give them a competitive advantage;
- there is a growing demand or expectation from consumers for sustainable products/services;
- suppliers have adopted environmental and corporate social responsibility policies and reporting practices;
- suppliers have adopted accreditation to relevant environmental management standards;
- suppliers have adopted eco-labelling practices for the product or service;
- sustainable research and development activities are occurring or being planned; and
- there is a history of suppliers delivering sustainability benefits.

Supporting public authority goals – The importance of the procurement to the achievement of the public authority's sustainable goals and priorities.

Ease of implementation – The level of effort and cost required to implement and contract manage sustainability requirements. The more difficult the implementation, the lower the priority assigned to the procurement.



Change management – The level of effort and cost required to encourage staff in the public authority to embrace new sustainable arrangements. The greater the effort, the lower the priority assigned to the procurement.

Linkages to other sustainability (environmental and social) initiatives – Some procurements may have linkages to other sustainability initiatives already underway, either within the public authority or in other areas of government (including the South Australian Strategic Plan).

Availability of subject matter experts – Some procurements may require specific experts to provide sustainable procurement input and their availability may impact on the priority of the procurement.

Attachment 3

Incorporating Sustainability into the Procurement Process

Element	Sustainability Considerations ³
Acquisition Planning	<ul style="list-style-type: none">• Encourage suppliers to adopt design, manufacturing, production, distribution and service processes that reduces environmental impacts including the level of resource use, greenhouse gas emissions, toxic substances and waste;• Ensure there is clarity in terms of what sustainable outcomes are expected from the supplier;• Adhere to Government policies affecting sustainability aspects of the product or service being procured;• Consider the results of supply market analysis and research in terms of sustainability; and• Determine if there is any anticipated cost impact arising from the sustainability features requested.
Specification	<ul style="list-style-type: none">• Establish specifications that do not restrict innovation or disadvantage local suppliers of sustainable solutions;• Determine those sustainability elements of the specification that are mandatory versus desirable;• Draw on sustainability standards established by appropriate industry bodies; and• Request more efficient and environmentally acceptable packaging.
Evaluation and Selection	<ul style="list-style-type: none">• Consider the Australian Procurement and Construction Council's <i>Assessing a Supplier Sustainability Credentials Guideline</i> in determining potential supplier sustainability related questions;• Consider the Board's <i>Life Cycle Costing Guideline</i> to evaluate all costs that supports a proper assessment of value for money;• Ensure that decisions are evidence based and consider demonstrated achievements of the supplier in the area of sustainability;• With all factors being equal in the purchase of a product or service, choose the one with the least environmental impact;• Utilise Australian, international or other relevant industry standards to verify the sustainability credentials of a supplier or product;• Consider the environmental management practices of the supplier/manufacturer;• Consider the use of subject matter expertise to assist evaluation;• Refer to eco-labelling or government labelling programs to assist in assessing the environmental performance of products or services; and• Examine the practices of suppliers in high risk industries to ensure they do not exploit their employees (for example clothing manufacturers, cleaning companies).

³ This is a non-exhaustive listing of sustainability considerations and should be customised to reflect the specific needs of the public authority.



Element	Sustainability Considerations ³
Contract Management	<ul style="list-style-type: none">• Foster long-term relationships with suppliers that adopt sustainable practices;• Structure a final contract to ensure expected sustainability benefits are delivered;• Include sustainable procurement commitments as part of a contract management plan underpinned by key performance indicators;• Ensure contract managers receive regular reports from suppliers in regards to their sustainability commitments; and• Encourage and promote continuous improvement and innovation in sustainability by suppliers.
Disposal	<ul style="list-style-type: none">• Consider both the end of life disposal of assets and also the waste produced by these products and services throughout their life;• Dispose of products that have reached the end of their useful life and are unable to be utilised in other parts of a public authority in line with the Board's <i>Disposal Policy</i> and <i>Disposal Guideline</i>;• Ensure the disposal of waste considers the re-use, recycling, and energy recovery, with incineration or landfill only as a last resort;• Seek advice from Zero Waste SA; and• Consider the hazardous nature of products and services in their disposal.